

Message Text

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21

ACTION XMB-04

INFO OCT-01 ARA-06 ISO-00 EB-07 AID-05 OMB-01 COME-00

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FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 3594

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PASS EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, CS

SUBJECT: LATIN AMERICAN BANK

REF: SAN JOSE 1620

1. FRANK VAN GROFSKI AND JAMES B. GREGORY, PRESIDENT AND VICE PRESIDENT RESPECTIVELY OF THE LATIN AMERICAN BANK, CALLED ON EMBOFF APRIL 22 TO REPORT STATUS OF L.A.B. PROBLEM.

2. VAN GROFSKI SAID THAT SETTLEMENT COULD NOT BE ARRANGED APRIL 21 AS HOPED, AND THAT A FURTHER POSTPONSMENT WILL BE NECESSARY. THE STATE COMMERCIAL BANKS ARE NOW PREPARED TO TAKE OVER ASSETS OF THE L.A.B. VALUED AT \$10,466,600, BUT ARE NOT PREPARED TO SIGN A NEW LOAN AGREEMENT WHICH AS PRESENTED BY THE CREDITOR BANKS CONTAINED A NUMBER OF ITEMS SAID TO BE IN CONFLICT WITH THE COSTA RICAN COMMERCIAL CODE. INSTEAD THEY WILL GIVE TO THE CREDITORS A LETTER OR MEMORANDUM DETAILING THEIR UNDERTAKINGS AND PROCEDURES RELATED TO ASSUMPTION OF L.A.B. ASSETS. THE LETTER OR MEMORANDUM WOULD NOT CONTAIN THE CONTROVERSIAL

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CONDITIONS THAT WOULD HAVE HAD THE EFFECT OF RELEASING THE

INVESTOR BANKS FROM ANY LIABILITIES THEY MIGHT HAVE
TOWARD THE OTHER CREDITOR BANKS.

3. VAN GROFSKI HAS WRITTEN A LETTER TO ALL OF THE
CREDITOR BANKS DESCRIBING THE CURRENT STATUS OF
THE L.A.B. PROBLEM AND INVITING THEM TO ATTEND A
CREDITORS MEETING APRIL 26. AT THIS MEETING, THEY
WILL BE ASKED TO APPROVE THE SETTLEMENT AS PROPOSED
BY THE COSTA RICAN BANKS AND TO ENTER INTO A
SEPARATE AGREEMENT AMONG THEMSELVES TO NAME AN AGENT
BANK TO CARRY OUT THE PROPOSED NEW ARRANGEMENTS WITH
THE COSTA RICAN BANKS. IT IS ALSO CONTEMPLATED THAT
THE NEW ARRANGEMENTS WHICH THE CREDITOR BANKS
WILL BE ASKED TO APPROVE WILL INCLUDE PROVISIONS
DESIRED BY THE INVESTOR BANKS TO RELEASE THEM
FCXM ANY LIABILITIES THEY MIGHT OTHERWISE HAVE
TOWARD THE OTHER CREDITOR BANKS. IF AGREEMENT IS
REACHED AMONG THE CREDITOR BANKS, IT IS CONTEMPLATED
THAT FINAL SETTLEMENT WITH THE COSTA RICAN BANKS
CAN TAKE PLACE DURING THE MONTH OF MAY.

4. MR. GREGORY WILL INFORM THE EMBASSY NEXT WEEK
OF THE OUTCOME OF THE CREDITORS MEETING.
TODMAN

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Message Attributes

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